

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name City of Lansing & Ingham Co Joint Build Auth	County Ingham
Fiscal Year End 12/31/2005	Opinion Date 6/29/2006	Date Audit Report Submitted to State 10-17-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

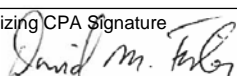
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337

**CITY OF LANSING AND
COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

Financial Statements

For The Year Ended December 31, 2005



REHMANN ROBSON

Certified Public Accountants

**CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

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REHMANN ROBSON

Certified Public Accountants

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 an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

June 29, 2006

To the Commissioners of the
City of Lansing and County of Ingham
Joint Building Authority Board
Lansing, Michigan

We have audited the accompanying basic financial statements of the *City of Lansing and County of Ingham Joint Building Authority*, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lansing and County of Ingham Joint Building Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Lansing and County of Ingham Joint Building Authority as of December 31, 2005, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the basic financial statements.



BASIC FINANCIAL STATEMENTS

CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY
Statement of Net Assets
December 31, 2005

ASSETS

Current assets:	
Cash and cash equivalents	\$ 68,270
Accounts receivable	7,650
Interest receivable	316
Due from other governmental units	19,839
Unamortized bond issuance costs	143,236
Prepaid items	<u>14,515</u>
Total current assets	<u>253,826</u>
Capital assets	
Land	470,000
Buildings and improvements	22,017,409
Equipment	1,259,041
Less accumulated depreciation	<u>(2,957,166)</u>
Total capital assets (net of accumulated depreciation)	<u>20,789,284</u>
Total assets	<u>21,043,110</u>

LIABILITIES

Current liabilities:	
Accounts payable	8,050
Accrued interest payable	60,968
Unearned revenue	6,879
Current portion of bonds payable	<u>660,000</u>
Total current liabilities	735,897
Noncurrent liabilities:	
Bonds payable	<u>10,258,236</u>
Total liabilities	<u>10,994,133</u>

NET ASSETS

Invested in capital assets, net of related debt	9,871,048
Unrestricted	<u>177,929</u>
Total net assets	<u><u>\$ 10,048,977</u></u>

The notes to the financial statements are an integral part of these financial statements.

**CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

**Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005**

Operating revenues

Lease payments from City of Lansing	\$ 607,545
Lease payments from Ingham County	523,387
Total operating revenues	<u>1,130,932</u>

Operating expenses

Depreciation	985,722
Other operating expenses	36,580
Total operating expenses	<u>1,022,302</u>

Operating income	<u>108,630</u>
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Nonoperating revenues (expenses)

Investment earnings	2,003
Interest and fiscal charges	(560,489)
Total nonoperating revenue (expenses)	<u>(558,486)</u>

Change in net assets	(449,856)
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Net assets, beginning of year	<u>10,498,833</u>
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Net assets, end of year	<u><u>\$ 10,048,977</u></u>
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The notes to the financial statements are an integral part of these financial statements.

CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY
Statement of Cash Flows
For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,103,443
Payments to suppliers	<u>(29,286)</u>
Net cash provided by operating activities	<u>1,074,157</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on long-term debt	(495,000)
Interest paid on long-term debt	<u>(599,353)</u>
Net cash used by capital and related financing activities	<u>(1,094,353)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Interest and dividends received	<u>1,687</u>
Net decrease in cash and cash equivalents	(18,509)
Cash and cash equivalents, beginning of year	<u>86,779</u>
Cash and cash equivalents, end of year	<u><u>\$ 68,270</u></u>

**Reconciliation of operating income to net cash provided
(used) by operating activities:**

Operating income	<u>\$ 108,630</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	985,722
(Increase) decrease in accounts receivable	(7,650)
(Increase) decrease in due from other governmental units	(19,839)
(Increase) decrease in prepaid items	(756)
Increase (decrease) in accounts payable	<u>8,050</u>
Total adjustments	<u>965,527</u>
Net cash provided by operating activities	<u><u>\$ 1,074,157</u></u>

The notes to the financial statements are an integral part of these financial statements.

CITY OF LANSING AND COUNTY OF INGHAM JOINT BUILDING AUTHORITY

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lansing and County of Ingham Joint Building Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

A. Reporting Entity

The Authority was incorporated pursuant to Act 31, Public Acts of Michigan, 1948, as amended. The Authority was created by the City of Lansing, Michigan (the “City”) and the County of Ingham, Michigan (the “County”) for the purpose of acquiring, renovating, furnishing, equipping, operating and maintaining facilities for use in any legitimate public purpose of the incorporating units.

These financial statements represent the financial condition and results of operations of a *joint venture*, as defined under GASB Statement No. 14. Because the joint venture agreement does not provide an explicit contractual formula outlining the participants’ claim to the Authority’s assets, this is deemed to be a *joint venture with no equity interest*. The significance of this distinction is that the joint venture participants will not report an equity interest in the assets of the Authority on the face of their respective financial statements.

No other governmental entities are part of the Authority. Currently, the Authority does not have any employees.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority uses a single proprietary or enterprise fund to account for and report its financial activities, which are limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

CITY OF LANSING AND COUNTY OF INGHAM JOINT BUILDING AUTHORITY

Notes To Financial Statements

The Authority follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in the Ingham County Treasurer's cash management pool, which has the general characteristics of demand deposits in that deposits and withdrawals may be made at any time without prior notice or penalty.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial papers, repurchase agreements and banker acceptances.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant and equipment, are recorded at cost. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

Notes To Financial Statements

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30
Equipment	5

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year-end, the carrying amount of the Building Authority's deposits in the Ingham County Treasurer's cash management pool was \$68,270. Information regarding the Ingham County Treasurer's cash management pool, including bank balances, insurance coverage and risk categorization, is presented in the Ingham County comprehensive annual financial report, which may be obtained by writing Ingham County Financial Services Division, P.O. Box 319, Mason, Michigan 48854, or by calling (517) 676-7329.

**CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

Notes To Financial Statements

B. Capital Assets

Capital assets activity for the year ended December 31, 2005, was as follows:

	Balance January 1, <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2005</u>
Capital assets not being depreciated:				
Land	\$ 470,000	\$ -	\$ -	\$ 470,000
Capital assets being depreciated:				
Buildings and improvements	22,017,409	-	-	22,017,409
Equipment	<u>1,259,041</u>	<u>-</u>	<u>-</u>	<u>1,259,041</u>
Total capital assets being depreciated	<u>23,276,450</u>	<u>-</u>	<u>-</u>	<u>23,276,450</u>
Less accumulated depreciation for:				
Buildings and improvements	1,467,828	733,914	-	2,201,742
Equipment	<u>503,616</u>	<u>251,808</u>	<u>-</u>	<u>755,424</u>
Total accumulated depreciation	<u>1,971,444</u>	<u>985,722</u>	<u>-</u>	<u>2,957,166</u>
Total capital assets being depreciated, net	<u>21,305,006</u>	<u>(985,722)</u>	<u>-</u>	<u>20,319,284</u>
Total capital assets, net	<u>\$ 21,775,006</u>	<u>\$ (985,722)</u>	<u>\$ -</u>	<u>\$ 20,789,284</u>

C. Long-term Debt

	Balance January 1 <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2005</u>	Due Within <u>One Year</u>
General obligation debt:					
1999 Series	\$ 11,270,000	\$ -	\$ 8,985,000	\$ 2,285,000	\$ 525,000
2005 Series-Refunding	<u>-</u>	<u>9,105,000</u>	<u>-</u>	<u>9,105,000</u>	<u>135,000</u>
Subtotal	11,270,000	9,105,000	8,985,000	11,390,000	660,000
Unamortized discount	-	(30,304)	-	(30,304)	-
Unamortized loss on Refunding	<u>-</u>	<u>(441,460)</u>	<u>-</u>	<u>(441,460)</u>	<u>-</u>
Total	<u>\$ 11,270,000</u>	<u>\$ 8,633,236</u>	<u>\$ 8,985,000</u>	<u>\$10,918,236</u>	<u>\$ 660,000</u>

**CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

Notes To Financial Statements

The Authority issued limited tax general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations of the Authority and are backed by a Full Faith and Credit General Obligation Lease Contract between the Authority, the City and the County.

During the year, the Authority issued \$9,105,000 of limited tax general obligation bonds to provide resources to refund \$8,490,000 of the 1999 Serial Bonds. The proceeds of the refunding were placed in an irrevocable trust to make future debt payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The refunding was undertaken to reduce future debt service payments by \$497,021 and resulted in an economic gain of \$368,852.

At year end, the remaining balance of outstanding defeased bonds was \$8,490,000.

General obligation bonds currently outstanding are as follows:

	Balance December 31, <u>2005</u>
\$13,000,000 1999 City of Lansing and County of Ingham Joint Building Authority serial bonds, due in annual installments of \$420,000 to \$1,050,000 through November 1, 2019; interest at 5.0% to 5.5%; callable on or after November 1, 2009, at par with no premium	\$ 2,285,000
\$9,105,000 2005 City of Lansing and County of Ingham Joint Building Authority refunding serial bonds, due in annual installments of \$75,000 to \$1,040,000 through November 1, 2019, interest at 3.5% to 4.25%; callable on or after November 1, 2015 at par with no premium	<u>9,105,000</u>
	<u>\$ 11,390,000</u>

**CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Business-Type Activities	
	Principal	Interest
2006	\$ 660,000	\$ 423,479
2007	630,000	449,482
2008	665,000	418,414
2009	695,000	385,634
2010	730,000	351,232
2011-2015	4,095,000	1,313,810
2016-2019	3,915,000	416,614
Total	\$ 11,390,000	\$ 3,758,665

II. OTHER INFORMATION

A. Related Party Transactions

The City and County have entered into an agreement with the Authority to lease the facilities acquired and constructed by the Authority. The lease payments are equal to the Authority's debt principal and interest payments. Lease payments for debt service received by the Authority from the City and the County were \$607,545 and \$523,387, respectively.

Other services, such as administrative and accounting services, are being provided to the Authority at no cost by the City and County. The value of such services are inconsequential to the financial statements and, accordingly, are not recorded.

B. Risk Management

The Authority manages its risk exposures through commercial insurance. Settlements, if any, have not exceeded insurance coverage since inception of the Authority.

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